

CITY OF MANILLA

INDEPENDENT ACCOUNTANT'S EXAMINATION REPORT
ON APPLYING AGREED-UPON PROCEDURES

FOR THE PERIOD
JULY 1, 2014 THROUGH JUNE 30, 2015

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City of Manilla

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Patrick Wuestewald	Mayor	January 2018
Wyatt Badow	Mayor Pro-Tem	January 2018
Kurt Chapman	Council Member	January 2020
Deb Fender	Council Member	January 2016
Corey Gaskill	Council Member	January 2018
Carolyn Rutherford	Council Member	January 2020
Maurice Henkelman	Trustee	January 2015
Barry Christensen	Trustee	January 2017
Dawn Sturm	Trustee	January 2019
Laura Jahn	Clerk	Indefinite
Mary Ann Macumber	Treasurer	Indefinite
Allen Nepper	Attorney	Indefinite

MUXFELDT **ASSOCIATES, CPA, P.C.**

Certified Public Accountant

November 17, 2015

Lonnie G. Muxfeldt
Certified Public
Accountant

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Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Honorable Mayor
and Members of City Council:

I have performed the procedures enumerated below which were established pursuant to Chapter 11.6 of the Code of Iowa enacted by the Iowa legislature to provide oversight of certain Iowa cities. Accordingly, I have applied certain tests and procedures to selected accounting records and related information of the City of Manilla for the period July 1, 2014 through June 30, 2015. The City of Manilla's management, which agreed to the performance of the procedures performed, is responsible for the City's records.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in Government Auditing Standards, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, I make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures I performed are summarized as follows:

1. I reviewed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. I reviewed the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. I reviewed surety bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. I obtained and reviewed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.

5. I reviewed City funds for consistency with the City Finance Committee's (CFC) recommended Uniform Chart of Accounts (COA) and to determine required funds and fund balances are properly maintained and accurately accounted for.

6. I reviewed investments to determine compliance with Chapter 12B of the Code of Iowa.

7. I reviewed compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa pertaining to required depository resolutions, investment policy and reporting of unclaimed property to the State of Iowa.

8. I reviewed and tested selected receipts for accurate accounting and consistency with the COA.

9. I reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the COA and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.

10. I reviewed transfers between funds for propriety, proper authorization and accurate accounting.

11. I reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.

12. I reviewed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, I identified various recommendations for the City. My recommendations are described in the Detailed Recommendations section of this report. Unless reported in the Detailed Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

These agreed upon procedures do not constitute an audit of the financial statements or any part thereof, the objective of which is the expression of an opinion on the financial statements or a part thereof. Had I performed additional procedures, or had I performed an audit of the City of Manilla, additional matters might have come to my attention that would have been reported to you.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Manilla and other parties to whom the City of Manilla may report. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of the City of Manilla during the course of my agreed-upon procedures. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

Musfeldt Associates, CPA, P.C.

DETAILED RECOMMENDATIONS

CITY OF MANILLA

DETAILED RECOMMENDATIONS

FOR THE PERIOD JULY 1, 2014 THROUGH JUNE 30, 2015

- (A) Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one or two individuals has control over each of the following areas for the City:

- (1) Cash - handling, reconciling and recording.
- (2) Receipts - opening mail, collecting, depositing, journalizing, reconciling and posting.
- (3) Disbursements - purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (4) Payroll - recordkeeping, preparation and distribution.
- (5) Utilities - billing, collecting, depositing and posting.
- (6) Financial reporting - preparing and reconciling.
- (7) Journal entries - preparing and journalizing.
- (8) Computer system - Performing all general accounting functions and controlling all data input and output.

Recommendation - I realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations should be evidenced by the signature or initials of the reviewer and the date of the review.

- (B) City Council/Board of Trustee Minutes - Chapter 372.13(6) of the Code of Iowa requires minutes of all City Council and Board of Trustees proceedings be published within fifteen days of the meeting and a list of claims, a summary of receipts, total disbursements by fund, a summary of ordinances or amendments adopted and annual individual gross salaries are published as required. All City Council and Board of Trustee meeting minutes tested were properly published within fifteen days of the meeting. However, the lists of claims were not totaled, summaries of receipts and total disbursements by fund were not provided.

Recommendation - The Clerk should ensure that the City comply with Chapter 372.13(6) of the Code of Iowa by summing the list of claims and including a summary of receipts and total disbursements by fund for publication.

CITY OF MANILLA

DETAILED RECOMMENDATIONS

FOR THE PERIOD JULY 1, 2014 THROUGH JUNE 30, 2015

- (C) Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Barry Christensen, Board of Trustees, Owner of Harvey's Oil Co.	Fuel	\$ <u>13,929</u>

In accordance with Chapter 362.5(k) of the Code of Iowa, these transactions may represent a conflict of interest since total transactions were more than \$2,500 during the fiscal year and some services were not competitively bid.

Recommendation - It is noted that this is the only economically feasible vendor; however, the City should consult legal counsel to determine the disposition of this matter.

- (D) Official Depositories - A resolution naming official depositories has not been adopted by the City Council and Board of Trustees as required by Chapter 12C.2 of the Code of Iowa.

Recommendation - A resolution in amount sufficient to cover anticipated balances at approved depositories should be adopted by the City Council and Board of Trustees as required.

- (E) Reconciliation of Utility Billings, Collections and Delinquent Accounts - While the City Council and Board of Trustees sign off on a monthly reconciliation of utility billings, collections and delinquent accounts, it was noted that beginning balances did not always agree with the prior months ending balance and billings and collections were duplicated several months with inaccurate financial information. In addition, when totaled, collections exceeded billings by significant amounts.

Recommendation - The clerk should ensure that monthly reconciliations of utility billings, collections and delinquent accounts reconcile properly. Keeping year to date totals will aid this reconciliation process.

CITY OF MANILLA

DETAILED RECOMMENDATIONS

FOR THE PERIOD JULY 1, 2014 THROUGH JUNE 30, 2015

- (F) City Council/Board of Trustees Disbursement Approval - A sample of disbursements indicated that 13 checks cleared the bank before Council/Board approval. Cities often adopt a resolution authorizing certain disbursements to be paid prior to Council approval. Disbursements such as payroll, payroll taxes IPERS, sales tax, and other disbursements that have specific deadlines before penalties are incurred are authorized for payment by one-time Council and Board of Trustees Resolutions.

Recommendation - The City Council and Board of Trustees could adopt a written disbursement policy to allow payment of certain bills prior to City Council or Board of Trustees approval. Most Cities adopt this policy by resolution. All disbursements should be approved by the Council/Board of Trustees prior to disbursement with the exception of those specifically allowed by a policy. For those disbursements paid prior to Council/Board approval, a listing should be provided to the City Council or the Board of Trustees at the next meeting for review and approval.

- (G) Annual Financial Report - The annual financial report contained some significant mis-statements such as:

Local Option Sales Tax - was reported in the general fund instead of the special revenue funds. The proper treatment was to report local option sales tax in the special revenue funds, then as a transfer to the general fund.

Transfers - Transfers from the Gas Utility of \$23,270 and the Electric Utility of \$80,000 to the governmental funds were properly authorized by the Board of Trustees and properly recorded in the City's general ledger. However, these transfers were incorrectly reported on the annual financial report as contributions and capital outlay.

Recommendation - Procedures to detect, correct and thereby prevent misstatements in the AFR should be identified and implemented to ensure that transfers and local option sales tax are reported correctly on the annual financial report.

CITY OF MANILLA

MANNING, IA 51455

NEWS RELEASE

Muxfeldt Associates, CPA, P.C., 2309 B Chatburn Avenue, Harlan, Iowa today released an agreed-upon procedures report on the City of Manilla, Iowa for the period July 1, 2014 through June 30, 2015. The agreed-upon procedures engagement was performed pursuant to Chapter 11.6 of the Code of Iowa.

Muxfeldt Associates, CPA, P.C. recommended the City establish segregation of duties over cash, cash receipts, disbursements, payroll, journal entries, computer system and financial reporting. Muxfeldt Associates, CPA, P.C. recommended that minutes comply with Chapter 372.13(6) concerning list of claims, summary of receipts and total disbursements by fund, that the City comply with Chapter 12C2 concerning naming official depositories, that the Clerk consider a revision of procedures concerning reconciliations of utility billings, collections and delinquent accounts, that the City adopt a policy defining which disbursements may be paid before Council/Board approval, and that the Clerk review procedures concerning preparation of the Annual Financial Report.

A copy of the examination report is available for review in the City Clerk's office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/reports.htm>.